

AMC profile - Axis, an AMC that pays well and is pro-appraiser

There are an estimated over 400 AMCs. They vary widely on how many appraisals they do, who they work for, their method of determining appraisal fees, etc.

Because they vary so much, I have started doing profiles of different AMCs. This is the first profile. I am trying to find out what criteria appraisers can use for deciding whether or not to work for an AMC. You can research AMCs and find answers to the questions.

Axis Appraisal Management Solutions is a mid-range (by number of appraisals), national AMC. I chose them because they are local, in the San Francisco Bay Area, so I could visit their offices and meet them face to face. I had been hearing about them for awhile from local appraisers and a few of their clients. All the appraisers I spoke with liked working for them.

I wanted to meet the owners in person, as a company's founders have a significant impact on the direction of the company and the "company culture", especially when the company is new.

There is a big difference between companies that focus on making as much money as possible, and companies trying to help people and/or not focusing on money. AMCs that only look at the bottom line are not the best for appraisers. AMCs that focus on appraisers may make less money, but are helping solve a problem - how appraisers and lenders can work together successfully.

Axis does not compete on fees. Their fees are higher than other AMCs. They look for lenders who want the best appraisers, and want an AMC that is willing to spend the time to resolve appraisal issues.

Types of AMCs by number of appraisals

Looking at all the AMCs, they vary from relatively few per month to tens of thousand per month. Some work for only one lender, and only do appraisal ordering. Others work for many lenders and offer national coverage.

In general, they are classified into three categories, by number of appraisals:

1. The Big Boys, handling tens of thousands of appraisals a month, including Rels, Streetlinks, LSI, Service Link, PCV Murcor
2. Mid size, national companies, such as Axis.
3. The small regional or local AMCs.

Axis does 10,000 to 12,000 appraisals a month, and would be classified as a mid-size AMC. The large AMCs often do hundreds of thousands appraisals a month.

AMC sub-contracting - "cascading"

Many of the large AMCs subcontract their overflow to mid-size AMCs. That is one of the reasons that appraiser fees are low. I call it "cascading". Big AMC A subcontracts to Mid size AMC B, who then subcontracts to mid-size or small AMC C. Each one of these needs to make money.

Axis does not participate in sub-contracting.

Number of appraisals from each state varies

Mid-size AMCs vary by which states they work in, depending on which states their clients do their most loans.

If an AMC gets a new client, requiring appraisals from states where they do not have many appraisers on their panels, they must recruit appraisers.

When was Axis started?

The company was founded in February, 2009. HVCC started in May, 2009.

Who started Axis?

The company was founded by Michael Simmons and Kim Perotti. Neither are licensed appraisers, but have appraisal and mortgage backgrounds. Kim's appraisal company had done appraisals for Michael's company.

Michael Simmons - Founder and Senior Vice President of Business Development

Michael focuses on the sales side of the business. He is not a licensed appraiser, but comes from an appraiser family. His father was an appraiser. He held the "dumb end" of the tape starting when he was 8 years old. His father worked for PG&E (CA state utility company), appraised Guam and Juneau AK after an earthquake, and other large assignments as a fee appraiser. His uncle has an MAI designation. His mother ran a local real estate business and was the first woman commercial real estate broker in her area.

After doing real estate sales for awhile, he went into the mortgage lending business instead of appraisal. His last position was a Senior Loan

Officer with Real Estate Financial Services from 2000-2008, so he is familiar with the lender side and focuses on the sales and client contact side.

Simmons had always used good appraisers. For the borrowers it meant the best deal and for him it meant they be retained as long term customers.

Kim Perotti - Founder and Senior Vice President (Operations)

Kim focuses on the operation side of the business. She was the IT and Marketing Coordinator for Miller and Perotti, from 2000 until she founded Axis. She had previously worked there in the early 1990s, but left when the appraisal market crashed in 1994. Her company was a small, family owned appraisal company founded by her mother-in-law. Their offices are in San Rafael, CA, where Axis is located.

Previously she was a teacher and later an administrator at the Santa Rosa School District for 10 years. She focuses on the management side and sees the company as "a community of learners".

She has a masters degree in education, which is a primary reason for the company's approach to educating their appraisers on current issues, helping appraisers with their appraisal questions, and if there are serious problems, upgrading a panel appraiser's education to remain on their panel.

Effect of founders on the business

A "classic" combination for CPAs, and many other service businesses, is an "inside" (getting the work done) and an "outside" (sales/client contact) person. The two founders are similar to this, in their personalities and in what they focus on. Both sides are necessary for success and growing a business.

Axis continues the founders' family business background. One of their first employees was Michael Simmon's son, Matthew Simmons, the pipeline operations manager, who had recently graduated from college, plus his dog, who comes to work every day with him.

Here is their stated company philosophy: "We believe highly qualified local appraisers provide an invaluable service to property owners and lenders. Axis believes that our appraisers should be recognized, supported and compensated for that high level of expertise."

Ron Simmons, SRA, Director of Valuation Services and Chief Appraiser

No, he is not related to Michael Simmons! He joined Axis in August, 2011 and had previously worked in sales for Woodfin, a tech company that built Rels' software and built Fannie Mae's UAD/UCDP software. Most of the appraisal forms software companies, and many other companies, use Woodfin's software developed for Fannie Mae.

Like many of us, appraisal was not his first career. He started in developing computer applications in the late 1970s, and did sales for about 8 years. His expertise was communication between the tech people and the users. When he started his family, he wanted more time at home and quit his sales job which required lots of traveling.

In the late 1990s, he met an appraiser while helping a friend move scrap metal from a home, and

went to work for him. The appraiser's wife worked for a local appraisal review company, so he was exposed to both sides - doing appraisals and being reviewed by someone else.

He became licensed in 2000 and built up his business to 6-7 appraisers. Later, he took a few years off for family reasons, and re-started his appraisal business in 2005.

Simmons also was a manager and member of Zone Data Systems. He has a B.S. in Organizational Behavior.

He met Mike Simmons in 2008 and every few months he would ask him to come to work for Axis.

Technology expertise is increasingly important for AMCs due to Fannie Mae's UCDP and integration with lenders' systems. Ron's experience and connections help Axis keep up with the changing technology.

Janice Bezou, SRA, Director of Vendor Management and Lender Services

Janice started appraising at Home Savings in 1991, where many California appraisers started. Over the years, she worked in various management positions with Washington Mutual, Wachovia, and other lenders. Janice started working for Axis in May, 2012. She has a BA in management and lives very close to Axis so she doesn't have a very long commute to work any more.

She contributes an extensive background in managing appraisals for major lenders. Her main responsibilities include vetting new panel appraisers and fixing "problem" appraisals.

My visit to Axis headquarters

I spent most of my time in an office, interviewing. But, I did walk through the offices several times and was given a tour.

Most of the non-appraiser employees were young and appeared to be under 35 years old. They were busy, but did not appear to be stressed out. Overall, it was quiet, with everyone looking at their computer screens.

Overall there was an upbeat, but business-like atmosphere. I have had young employees working for me in the summer when I ran my national conferences. I don't know why, but there was a lot more energy. I saw the same situation at Axis.

Of course, what I really liked was that every person had 3 monitors. I want that!! Some of them had desks that you could move up and down so you could stand or sit. A definite plus for us "old timers" with bad backs.

Their physical address said "third floor" but they did not occupy the whole floor. They have expanded their footprint. I suspect that "third floor" is their goal, and is a good address for marketing purposes.

How many employees are at Axis?

Currently, Axis has 97 employees. There are 15 QC-2 appraisers and another QC-1 group of 20-25 non-appraisers who have been trained to do administrative reviews. Currently, they do not use computer software for reviews. All the reviews are done by live people.

They have "setup" employees who screen the orders, making sure the orders are correct (borrower phone number, address, etc) Their account managers focus on the the pipeline, from ordering, communicating with appraisers, receiving the appraisals, and submitting appraisals after QC is done.

Axis' main offices are in San Rafael, CA, located in one of the highest priced housing markets in the country. The San Francisco Bay Area

is an expensive place to live.

They have an office in Tempe, AZ, near Arizona State University, where 55 of their employees work. Many companies are outsourcing to India, but Axis chose to set up an office in Arizona, hiring mostly part time college students, to handle some of their administrative work. Labor costs are much lower in Arizona than in the San Francisco Bay Area. Most of the employees are younger than the headquarters employees as they are college students. There are also appraiser reviewers with 5-10 years of experience there.

Why Arizona State University? One of their managers graduated from there. Also, they wanted a location within a 2 hour plane ride from the headquarters location.

Axis also employs staff appraisers in "selected markets".

What ordering and managing software do they use?

They use a la mode's Mercury Network, enhanced with special AMC software developed by a la mode. All their appraisers are required to use the Mercury Network. Axis pays the \$10 fee for each appraisal.

Is Axis trying to bring in trainees?

They are working with Arizona State's real estate department to set up a pilot internship program. Staff appraisers will work with the interns.

How would you describe your AMC?

We emphasize being a "local" solution by focusing on a model of geographic competency. We do so through:

- A policy of assignment placement within a tight radius of subject, keeping our appraiser partners off the road & making money writing reports, all-the-while fostering our appraiser partners' expertise for nuances in their unique markets.
- Dedicating specific teams at Axis to work consistently with local vendor partners, from placement to report delivery to the lender – allowing a friendly rapport with our staff and a focus on consistent work with a defined set of lender/clients.
- We also dedicate significant resources to encourage an active rapport and ongoing service to our appraiser partners by encouraging calls to speak "live" to our staff, monthly newsletters and weekly tips, and sponsoring course offerings at a discount through the Appraisal Institute.
- Perhaps as important as anything listed above, we believe in maintaining and preserving fees for our appraisers. We work hard to operate on thinner margins than other AMC's, paying out higher portions of fees, working to not reduce fees in slower climates, and even covering Mercury fees for our partners.

How do you handle cash flow problems?

Many AMCs (and appraisal companies) can have cash flow problems. They have to pay the appraisers before they are paid.

They also can't easily downsize, if business slows down, or they lose a main client.

Most of their appraisals are pre-paid by the borrower's credit cards at the time of loan application. I recently refinanced my house through Quicken Loans, a large lender, and gave the loan officer my credit card for payment of the appraisal fee.

Some lenders pay on 30 or 60 day schedules. That can cause cash flow problems with AMCs.

Having about half their employees as part-time college students mean that downsizing, if necessary, is very easy. QC appraisers can easily become staff field appraisers.

What territories can appraisers work?

"Axis believes that each market is unique and only a highly qualified appraiser who truly knows and lives that market can provide a fully supported and accurate opinion of value within that market. Therefore, Axis limits each appraiser to narrowly defined territories that are determined through conversation with each appraiser regarding their specific qualifications for that market. It is a time intensive process, but fundamental to Axis' philosophy."

How many AMCs do you work for?

About 30 currently. Their engagement letters sent to appraisers are specific to each lender's requirements, rather than using long "generic" engagement letters that combine requirements of many AMCs. Their software is set up to easily do this.

When do you pay appraisers?

On the 5th day of the following month after the appraisal has been accepted by QC.

What are your appraiser levels

There are two levels: Panel appraisers and Affiliate appraisers

Panel Appraisers who consistently deliver quality appraisal products with responsive turn times are invited to become Affiliates. Affiliates receive slightly higher fees.

"It is AXIS' goal that all appraisers become Affiliates since each appraiser invited to join AXIS is highly qualified within their marketplace."

How do they determine appraisal fees?

On average, appraisers are compensated at an average of 79% of the appraisal fee. Their lowest appraisal fee is \$300 for a 1004.

Their appraisal fees are not cost plus (set appraisal fee plus additional fees for services). They do not separate out a specific appraisal fee as fees vary widely around the country.

Their appraisal fees are based on what is standard in the marketplace. For example, fees in northern California are higher than in Southern California. Pre-HVCC, appraisal fees varied around the country, with the West Coast higher than the Midwest and East Coast. Some states, such as Montana and North Dakota have always been higher as there are fewer appraisers and they often drive long distances.

What is your appraisal volume?

For now, 10,000 to 12,000 appraisals per month.

How many appraisers are on your fee panel?

For now, around 4,200.

Annual appraiser networking party for fee appraisers in January, 2013

Axis has an annual open house and party for their fee appraisers.

As part of their focus on education, they offer reduced fee California State regulations class and a USPAP class taught by a top Appraisal Institute instructor.

Panel appraisers from all over the country attend.

How do they keep appraisers on their panel and when do you remove them?

They focus in trying to help appraisers get better - education, reviews, etc.

Of course, some appraisers won't, or can't, change, so they are not used.

What about value pressures from clients?

They focus on marketing to clients who are looking for more credible appraisals. Simmons, one of the co-founders, comes from a mortgage banker background. They have mortgage banker/broker clients who use them to handle their appraisals.

One of the clients was at one my interviews briefly and said they use Axis because they want more credible appraisals, such as not using an appraiser traveling from another area who does not know the local market very well. It is also much easier to explain to borrowers why they don't get their loan.

How is turnaround calculated?

From the day the order is accepted. We count by business days, not calendar days, and allow extensions, such as borrower not available, etc.

How do you find appraisers for your panel?

We prefer to use referrals from other appraisers, real estate and mortgage professionals. In areas where we have few panel appraisers and no referral sources, we use state appraisal board lists of licensees and www.asc.gov to make initial contacts.

We have never advertised for appraisers.

How does an appraiser apply for your panel?

Axis very picky about who is on their panel. After two referrals are submitted on their web site, each applicant is interviewed over the phone to see if they will fit with what Axis requires from appraisers.

Go to www.axis-amc.com and click on appraisers. Information on QC, how to apply, and a page for referral sources to submit referrals.

Referrals must be submitted on the web site. The form says "Loan originator/underwriter" but referrals will be accepted from appraisers, real estate agents, and others familiar with the appraiser's work.

"Axis appraisers come to Axis by referral from lenders and industry leaders. Appraisers may start this process by requesting that two of their business contacts provide references to Axis about the caliber of their work. When Axis has received two referrals for an appraiser, an Axis representative then contacts the appraiser to discuss their experience, qualifications, and the Axis philosophy."

For more information, send an email to info@axis-amc.com.

What are your panel appraiser requirements?

After the initial interview, appraisers are asked for additional information.

Requirements include:

- Resume
- E&O (minimum \$500,000 coverage)
- Minimum of 5 years experience, certified appraiser
- 2 work samples, reviewed by appraisers.
- Geographic competency
- 2 references from someone who knows the appraiser's work, such as clients (lender and non-lender), real estate agents, etc.

"Finally, a second interview with one of Axis' lead appraisers is extended to the appraiser to determine the appraiser's specific geographic expertise."

"Appraisers who successfully complete the screening process are added to the Axis Panel via their independent appraisal company and orders are placed with and payments are made to the appraiser's company."

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